

***Committee on Finance
and the Northampton City Council***

Councilor David A. Murphy, Chair

Councilor Maureen T. Carney

Councilor Marianne L. LaBarge

(Vacant)

**City Council Chambers, 212 Main Street
Wallace J. Puchalski Municipal Building
Northampton, MA**

Meeting Date: October 20, 2016

MEETING MINUTES

- 1. Meeting Called To Order: At 7:04 p.m. Councilor Murphy called the meeting to order.**

- 2. Roll Call:** The following committee members were present: Councilor Murphy, Councilor LaBarge and Councilor Carney. One seat on the committee is vacant. Also present were Councilors Klein, Dwight, Bidwell, O'Donnell and Sciarra.

- 3. Approve Minutes Of October 6, 2016 Meeting:** Councilor LaBarge moved to approve the minutes from the previous meeting; Councilor Carney seconded the motion. The motion was approved on a voice vote of 3 Yes, 0 No, 1 Vacant.

- 4. Financial Orders**
 - A. 16.177 Financial Order To Approve Request For Transfer/Appropriation Of Fiscal Year 2017 CPA Funds**

Councilor LaBarge moved to return the order back to the full City Council with a positive recommendation; Councilor Carney seconded the motion. The motion was approved on a voice vote of 3 Yes, 0 No, 1 Vacant.

This order will place money into the appropriate CPA accounts. There is not an order to spend money with this request. Sarah LaValley explained that the Community Preservation Act requires that the City spend or set aside 10% of our annual revenue for open space, community housing or historic preservation. This order does that; it puts the remainder in the budgeted reserve which is open spending. It also pays down debt that was accrued in previous years.

Mayor Narkewicz added that there is a request for two readings this evening when the full City Council takes this order up. The City is trying to get this activity completed along with other items; this information is needed to send to D.O.R. to set the tax rate.

Councilor Bidwell had a question about how the state process works to receive the \$300,000 in state match; when does the City know what the actual number will be? Ms. LaValley explained that this will be finalized in November. In the event that it is vastly different that what was estimated, an adjustment may be necessary.

Approve Appropriations For Recommended CPC Small Grants Projects

a. 16.179 An Order To Appropriate \$3,000 For The Gare Collection

Councilor LaBarge moved to return the order back to the full City Council with a positive recommendation; Councilor Carney seconded the motion. The motion was approved on a voice vote of 3 Yes, 0 No, 1 Vacant.

Ms. LaValley explained that this order (and the next) are coming forward under the small grants process. Typically these projects are small discrete projects that require small amounts of funding. Ms. LaValley had slides that showed some of the details about the project. The Gare Collection has 528 silversmithing and watch repair tools and 101 accounting books. The business operated on Main Street from 1785 until 1994. The grant will allow the collection to be preserved and displayed in climate controlled museum quality shelving.

Councilor LaBarge thinks that the project is wonderful for Northampton. She wondered how long the shelves were good for. Ms. LaValley didn't have specific details about the shelves, but did explain that they were museum quality.

Councilor Dwight pointed out that there was a cover letter that came with the orders that describes the fast-track grant program. Rather than wait for the regular funding cycle, smaller projects can apply using the small grant application process. This process supports projects that are less than \$3,000 in CPA funds.

Councilor O'Donnell wondered if the community was aware about the small grant program. Ms. LaValley explained that this year there were only two applications for small grants. She had discussions with people who were not ready to submit applications or the projects did not qualify. The department does try to get the word out; Ms. LaValley encouraged the Council to help spread the word about this program. This is the third round of small grant applications.

Councilor Bidwell wondered if the scope of the projects was defined broadly enough so that collections could be protected. Ms. LaValley explained that the scope of the program includes documents; in the past money has been used to preserve documents in the City Clerk's Office.

b. 16.180 An Order To Appropriate \$3,000 For The Pro Brush Collection

Councilor Carney moved to return the order back to the full City Council with a positive recommendation; Councilor LaBarge seconded the motion. The motion was approved on a voice vote of 3 Yes, 0 No, 1 Vacant.

Pro Brush was one of the largest employers in Northampton for more than 100 years. The business employed former slaves prior to Civil War. Their collection includes scrapbooks, photographs daguerreotype cases, dinnerware, manufacturing tools, and brushes.

B. 16.185 An Order To Suspend Parking Fees For Certain Dates In 2016

Councilor Carney moved to return the order back to the full City Council with a positive recommendation; Councilor LaBarge seconded the motion. The motion was approved on a voice vote of 3 Yes, 0 No, 1 Vacant.

Mayor Narkewicz explained that he has been having conversations with the business community and the Downtown Northampton Association. Almost a decade ago there had been some free parking offered during the holiday season and more recently there had been a tradition to allow free parking during the First Night event. Mayor Narkewicz wants to accommodate the request of the business community. This order would suspend parking fees in the downtown area for a total of four days.

C. 16.186 An Order To Authorize Budgetary Transfers Into Workers Comp Insurance

Councilor LaBarge moved to return the order back to the full City Council with a positive recommendation; Councilor Carney seconded the motion. The motion was approved on a voice vote of 3 Yes, 0 No, 1 Vacant.

Finance Director Susan Wright explained that this order will allow the transfer of money from one account to another. When MIIA sends the City its bills, the City is given credits and the credits are applied to the bills. The credits ended up in different places and need to be transferred to the proper account.

D. 16.187 An Order To Impose A Lien For Cross-Connection Charges And Fees That Have Not Been Paid By The Due Date

Councilor LaBarge moved to return the order back to the full City Council with a positive recommendation; Councilor Carney seconded the motion. The motion was approved on a voice vote of 3 Yes, 0 No, 1 Vacant.

This program is carried out by the DPW. They have to go to various locations in the City to ensure that the cross-connection valves are doing their job. This is a billable service. In the cases where the bill has not been paid, the City would like to have the ability to put a lien on the property, just

like what is done for an outstanding water or sewer bill. Because it is a real estate related charge, the City is allowed to attach a lien to ensure that the City is paid for the service provided.

Councilor LaBarge asked whether the City could place a lien now; Director Wright indicated that if a property owner didn't pay real estate taxes, water bill or sewer bill, then the City could place a lien. Now the City will be adding the cross connection fee as another bill that could be lienied if not paid. Currently, if property owners choose not to pay this charge, it is very difficult to get them to pay. This is a method used to recoup that cost. Councilor LaBarge asked how many properties were affected; Director Wright wasn't sure but Mayor Narkewicz explained that a small percentage is residential properties and a greater number are commercial.

Councilor Bidwell wondered how wide-spread a problem collections was; Director Wright didn't think the problem was that wide-spread but the City has been trying to tighten up outstanding fees and fines.

16.188 Financial Order To Accept A Gift Of Materials And Labor For Bridge Street School Library Project

Councilor LaBarge moved to return the order back to the full City Council with a positive recommendation; Councilor Carney seconded the motion. The motion was approved on a voice vote of 3 Yes, 0 No, 1 Vacant.

Mayor Narkewicz explained that the Bridge Street School community, including the Principal and the PTO have been working on a school library renovation project. They received a grant from "It Takes a Community" foundation in the amount of \$100,000. The School Committee approved the project. There is a deadline on the funding being dispersed. Rather than receiving a cash gift, the gift will be in labor and services. The grant will cover the cost of replacing flooring, shelving, and some construction work. The project will be supervised by Central Services but it will be paid for directly by the Foundation. Because NPS has a \$50,000 limit on gifts that it can accept, the City Council must vote to accept any gift other than money over \$50,000. There is a December 31st deadline in which the project must be completed, therefore two readings by the Council are requested tonight.

Councilor Sciarra agreed that the project was necessary. She asked if there was a plan to get the renovations completed by the end of the year. Mayor Narkewicz explained that there has been a committee working on developing a plan.

When asked by Councilor O'Donnell, Mayor Narkewicz explained that this foundation was started by Aaron Lewis, the lead singer of Staind. A Bridge Street School parent is the president of the Board of that foundation. The foundation supports community initiatives in education and other community programs.

E. 16.189 Financial Order To Approve Gift Fund Expenditure At Senior Center For Computer Equipment

Councilor LaBarge moved to return the order back to the full City Council with a positive recommendation; Councilor Carney seconded the motion. The motion was approved on a voice vote of 3 Yes, 0 No, 1 Vacant.

Councilor LaBarge asked how old the computers were that are in the Computer Center now. Mayor Narkewicz indicated that they are probably six or seven years old. There are two instructors available for training and the room gets a lot of use for this purpose. Councilor LaBarge had heard that the computers were slow.

5. Financial Updates for Fourth Quarter Financials for FY2016 & First Quarter Financials for FY2017

The updates were given by Finance Director Susan Wright.

Regarding the fourth quarter of FY2016, Director Wright highlighted the following:

- Motor Vehicle Excise revenue was \$2.69 million and is the highest that Northampton has seen in its history. This is revenue that is driven by the economy. It is about \$152,000 higher than last year.
- Hotel & Meals Tax Revenue is \$148,000 above FY2015. This represents growth; in the past few years hotel and meals tax revenue has been flat. Again, this is a number that is driven by the economy.
- Parking Revenue brought in what was estimated. There is additional parking revenue that came in beyond what is estimated; this amount goes into Receipts Reserved for Parking. This money is used to pay for capital improvements to the parking system. Parking revenue was \$43,000 above the FY2015 amount.
- Ambulance services saw a growth of \$74,000 in ambulance fees revenue since FY2015.
- Building Inspector Plumbing, Wiring, Weights and Measures, and Periodic Inspections brought in \$80,000 more than FY2015.
- Federal Revenue - Reimbursement for Medicaid from the Schools: The schools apply for Medicaid reimbursement for students that receive medicaid eligible services in our schools. From FY2015 to FY2016, there was a growth of about \$110,000.
- The revenues were \$1.377 million over estimate for FY2016 and were up \$2 million over the previous year.
- The City has a very good collection rate for tax collection; 99.1 percent of tax revenue was collected in FY2016. The 0.9% that was not collected will not be lost; the City will seek property liens for unpaid taxes and will be reimbursed through tax title.
- Expenses excluding schools show some surpluses. The surpluses tend to be in salary line items due to vacancies.
- The Snow and Ice expenses were 42% lower than they were in FY2015.
- There was also a surplus in Veteran's Benefits. Veteran's Benefits paid out were slightly higher than last year, however, the amount was below the three year average. This particular line item is budgeted using a rolling three year average.

- Interest on debt had a savings of \$40,000. This was a direct result of the refinancing that was done by the City in December 2015.
- Regarding medical insurance, there was a turn back of almost \$250,000. This is primarily due to vacancies.
- Regarding Cherry Sheet assessments, there was a surplus of \$224,000. These are outgoing school choice and charter school tuition dollars. The City paid slightly more than estimated in outgoing tuition for school choice assessments, but paid less than estimated in outgoing school charter assessments. The State gives the City the estimates and then they charge the City for the actuals.
- In FY16 the City spent 96.3% of its budget; in FY15 the City spent 97%. When revenues are higher than what was estimated and expenditures are less than what was estimated, this is how the City generates free cash. The Director estimates that somewhere between 3 and 4 % of the City's budget will be certified for free cash. Right now the D.O.R. is prioritizing setting municipal tax rates over certifying free cash. It could be January before the free cash is available.
- The NPS School Department turned back \$12,921. This was due to unexpended encumbrance funds that were not used.
- Smith Vocational and Agricultural High School also had unexpended encumbrance funds that were not used. They turned back \$9,882. However, with Smith Voke, they return the money and then the City eventually returns it to them because the City is required to meet Net School Spending. When Smith Voke's end of the year report gets certified, the Department of Education will let the City know that they need to return the money to Smith Voke.
- Both the sewer and water enterprise funds brought in about \$450,000 less in revenue than they did the year before due to lower than estimated water consumption due primarily to water conservation. (Councilor Murphy pointed out that in the past two years there have been water restrictions so people could not use water they may have otherwise wanted to.) This is a good reason to keep a healthy amount of undesignated free cash to make up for the difference in expenditures.
- Stormwater brought in slightly more than was budgeted. FY2015 was the first year in which the fee was assessed so there was a lag in collections.
- Councilor LaBarge asked about the water restriction and why residents are still responsible to pay for a stormwater utility fee. Mayor Narkewicz explained that the way the stormwater utility fee is designed, written, and implemented there is a fixed monthly charge based on the impervious surface. The water and sewer is based on water consumption. There is not currently a provision to reduce the fee due to lack of rain.
- Regarding expenditures, sewer enterprise funds spent 93.5% of budget; water enterprise funds spent 96.7%; stormwater enterprise funds spent 92.7% of budget; and solid waste spent 95.2% of budget. For these accounts, when revenues exceed estimates and expenditures are less than budgeted, these funds generate their own free cash and that is the money that is retained in each one of those individual accounts.

Councilor Bidwell asked about the near zero vacancies in the school department. Director Wright explained that there are lots of vacancies in the school department which require the schools to bring in substitutes. In general, schools will have PS that they end up using for OM, which is something that they are allowed to do. Director Wright also points out that Northampton encourages its schools to spend their entire budget. This is not typical in other communities. Mayor Narkewicz added that

schools also have school choice money. They typically try to spend all of their appropriation first and then the school choice money is kept as sort of free cash.

Councilor Bidwell asked if the internal transfers go before the School Committee; Director Wright indicated that they did.

Regarding the 1st Quarter Reports for FY2017, Director Wright noted that General Revenues are about 22% of budget while expenditures are about 30% of budget. Director Wright is not concerned about the amount of expenditures at this point because there are a lot of things that the City pays for up front in the year, like insurance policies, etc. Regarding the enterprise funds, sewer is at 23.3% of budget; water is at 25.8% of budget; stormwater is at 24.4% of budget; solid waste is at 25.9% of budget. For expenditures, sewer is at 7.7% of budget; water is at 19% of budget; stormwater is at 5% of budget and solid waste is at 9% of budget. This is not unusual to see because these areas have large ticket construction items and equipment purchases and those happen at variable times of the year.

Councilor Bidwell commented that the Hotel and Meals tax revenue is pretty healthy for the first quarter. He wondered if it was typical to see this in the first quarter; Director Wright noted that various quarters have different trends and these are about what is expected for the first quarter.

Councilor Murphy asked what impact the loss of the Clarion would have. Director Wright noted that last year there was an increase of \$83,000 in hotel tax revenue. Mayor Narkewicz further explained that the state numbers that are given to the City are behind somewhat. There is a lag time between when the collections are done and when the City receives them. The 2017 payments reflected in the reports were received in the first week of October. It is unclear what time period this represents, but the Economic and Community Development Director, Terry Masterson, is trying to figure this out.

Councilor Dwight noted that overall the reports are a reflection of a burgeoning economy. Meals and hotel taxes may reflect increase in fees or rates imposed by the individual business whereas the parking revenue is more of a litmus test. The rates in this area have not changed. Part of the reason parking revenue was down in FY2015 was due to the weather; giant snowpiles made it impossible to park and therefore impossible to collect fees.

Councilor Murphy asked what the expected impact will be once the City goes online with parking machines that accept credit or debit cards. Director Wright noted that revenue continues to grow in the parking garage, even after the implementation of credit card capability. That revenue needs to be offset by the cost of using the machines. About 60% of the garage customers are using credit cards and 40% are using cash. These machines have three fees - a fee for the Visa or MasterCard; a bank fee and either a fixed or variable fee as well.

6. New Business: None

- 7. Adjourn:** At 8:04 Councilor LaBarge moved to adjourn the meeting; Councilor Carney seconded the motion. The motion was approved on a voice vote of 3 Yes, 0 No, 1 Vacant.

Prepared by:

P. Powers, Administrative Assistant to the City Council
ppowers@northamptonma.gov, (413) 587-1210